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## GENERAL

1. Scandinavian neutrality still Swedish aim--US Ambassador Matthews in Stockholm reports that Sweden is exaggerating its military strength in an effort to persuade Norway and Denmark to join a Scandinavian Defense Alliance based on neutrality. Matthews adds that the Swedish Government: (a) appears to be honestly convinced of its ability (even without US help) to make the conquest of Sweden by the USSR extremely costly; and (b) is attempting to convince Norway and Denmark that they should not "carelessly toss away" Swedish ability to protect Scandinavia by joining a western group which cannot supply them arms.

## FAR EAST

2. CHINA: Continuing US aid urged--US Commander Naval Forces Western Pacific believes that in view of Nationalist attempts to retire completely from Manchuria and Nationalist inability to hold the Chihhsien-Tientsin corridor intact, consideration should now be given to the possibility of a Nationalist-Communist coalition. COMNAVWESPAC believes that even though such a coalition would probably be predominantly Communist in its initial stages, some acceptable modus operandi could be found which would permit the execution of current US directives. He therefore recommends no change in the US military aid program and stresses the importance of continuing the supply of food, fuel, and other essentials to coastal cities such as Shanghai and Tsingtao, where US interests are involved.

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Nationalist Manchurian forces face annihilation--US Consul General Ward of Mukden reports that recent Nationalist military tactics under the personal direction of the Generalissimo have had tragic consequences for the Government. Ward states that five Nationalist armies are now trapped by the Communists northwest of Mukden, thereby

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leaving Mukden inadequately defended and that its defenders probably will capitulate unless strong Nationalist forces can fight their way back. Ward considers impracticable any attempt to evacuate Government forces from Mukden through Yingkow.

#### THE AMERICAS

3. PERU: Odria revolt may succeed--The US Military and Naval Attaches in Lima believe that the revolt led by General Manuel Odria will probably succeed. The MA considers it possible that Odria will head a military junta and take over from President Bustamante without bloodshed.

ARMY -  
NAVY

(CIA Comment: General Odria, former army chief of staff, is popular with high-ranking army officers and is reportedly receiving financial support from wealthy conservatives. A government headed by Odria would probably continue Bustamante's policy of cooperation with the US, although some of his rightist supporters will still oppose plans for US development of Peruvian oil resources.)

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